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REU-59, August 3, 1962

TO : The Secretary
THROUGH: S/S
FROM : INR - Roger Hillsman
SUBJECT: West Germany: Political and Economic Prospects

This study was prepared originally as a contribution to a National Intelligence Estimate, NIE 23-62, "Prospects for West Germany." It is now issued in expanded and somewhat altered form as a Research Memorandum, for the use of officers concerned with German affairs.

ABSTRACT

In the past two years the Federal Republic of Germany has further developed its mature and stable relationship with its major partners in the Western alliance. This has occurred despite the shock to West German morale resulting from the Communist sealing-off of East Berlin on August 13, 1961, and the related uncertainty about Allied diplomacy regarding West Berlin -- an issue which for the West Germans is a touchstone of Allied concern for the protection of German national interests. The policy of alliance with the West commands increasingly broad support both among the general public and within all parties represented in the Bundestag. There is a growing conviction that West Germany has no genuine alternative to its exclusively Western orientation, despite lingering fears that German national interests might be sacrificed in some future settlement on the status of Berlin. Recognizing that there is no serious prospect of overcoming Soviet opposition to the reunification of Germany, the Federal Republic will continue to pursue its objective of integration within a European political community. However, the West Germans will continue to rely for their security on the US rather than on their European allies; they believe that no association of European powers would represent a credible deterrent to Soviet aggression without the commitment of US nuclear weapons.

cc: Schlesinger
Klein

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A consensus has grown up among West German politicians of all parties that the US-German relationship must be the guiding principle of national policy. It has become more than ever improbable that Adenauer's departure would lead to any significant shift in this policy, whatever disturbances the problem of the succession might occasion in domestic politics. As the most likely successor to Adenauer, Minister of Economics Ludwig Erhard could count not only on this consensus but also on continuing domestic stability. With the virtual disappearance of extremist elements from the political scene, no seriously divisive issue of internal policy remains. Moreover, the West German economy remains stable, with excellent prospects for continued expansion, if at a more modest rate than in the past decade. The West German foreign aid program, at present considered inadequate by US policy-makers, cannot yet be accurately projected.

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West Germany: Political and Economic Prospects

II. INTRODUCTION

In the past two years the Federal Republic of Germany has continued to develop a mature and stable relationship with its major partners in the Western alliance. This has occurred despite the shock to West German morale resulting from the Communist sealing-off of East Berlin on August 13, 1961, and the related uncertainty about Allied diplomacy regarding West Berlin, an issue which for the West Germans is a touchstone of Allied intentions concerning the protection of German national interests as a whole. The immediate effects of their shock were manifested ominously, in a wave of disappointment and anger over the absence of firm Allied reaction to the Communist move, climaxed by a sharp rebuke at the polls to the government of Chancellor Konrad Adenauer, whose Christian Democratic Union/Christian Social Union (CDU/CSU) lost its Bundestag majority in the quadrennial elections held September 17, 1961.*

* The election produced the following result:

<u>Party</u>	<u>Percent of vote</u>		<u>Seats</u>	
	<u>1961</u>	<u>(1957)</u>	<u>1961</u>	<u>(1957)</u>
Christian Democrats (CDU/CSU)	45.4	(50.2)	242	(270)
Social Democrats (SPD)	36.2	(31.8)	190	(169)
Free Democrats (FDP)	12.8	(7.7)	67	(41)
Other	<u>5.6</u>	<u>(10.3)</u>	<u>0</u>	<u>(17)</u>
Total	100.0	100.0	499	497

NOTE: In each election, the legal minimum of 494 deputies was slightly exceeded.

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Nevertheless, the CDU/CSU succeeded in forming a government with the support of the much smaller Free Democratic Party (FDP), and the 86-year-old Chancellor retained his position as head of the government, although many West Germans, including some of his own close associates, had come to believe that his usefulness as a leader, and particularly as an advocate of German interests, was exhausted.

Once his government had been formed, moreover, Adenauer was able to re-establish in fairly clear outline his program of associating West Germany as closely as possible with the West, and particularly with the US as leader of the alliance. The evidence is virtually conclusive that this program, with the firm commitment it entails to the long-range aims of the alliance, commands increasingly broad support both among the general public and within all the parties, whether pro- or anti-Adenauer, that still participate effectively in federal or state politics. The conviction that West Germany has no genuine alternative to an exclusively Western orientation is emerging ever more clearly as the common denominator of popular attitudes toward foreign policy, irrespective of lingering apprehension over the implications for German national claims that may lie in US readiness to negotiate some satisfactory settlement of the problem of Berlin. No significant body of West German opinion leans toward rapprochement with the USSR; nor does any neutrality formula so far put forward exert significant attraction against the momentum of the European integration movement.

This consensus has been significantly reinforced during the past two years with the decision of the Social Democratic Party (SPD), which had represented the only major domestic obstacle to the various stages of implementation of Adenauer's foreign policy program, to abandon its largely tactical opposition to the full integration of the Federal Republic in NATO. By this means, the SPD hoped to demonstrate its capacity to prove fully as reliable a partner in the Western enterprise as the CDU/CSU has been, and thereby emphasize to the West German electorate that it is prepared to assume the responsibility of government at any time.

Given the persistence of Soviet opposition to Germany's reunification on any terms acceptable to the Western powers, an attitude which most West Germans have come to regard as irrevocable within the foreseeable future, it is highly probable that West Germany will proceed along its present course toward integration within a European political community and that it will continue to look to the basic objectives of US policy in Europe for guidance concerning the modalities and timing of this process. As West German politicians, in the opposition as well as in the governing coalition, have tended more explicitly to equate West Germany's advancement with the concept of a special US-German relationship, the policy course hitherto identified so markedly with Adenauer has assumed a much

more widely representative character. Since Adenauer has reportedly committed himself to resign before the current parliamentary term ends in 1965, his early retirement in fact appears more likely than at any time since he first became Chancellor in 1949. But it has become more than ever improbable that his departure would unhinge the solidly established framework within which any West German policymaker must operate, whatever disturbances the problem of the succession might unleash in the domestic political arena.

The generation that will inherit political power in the coming decade -- persons now in their late thirties or early forties -- has grown up accepting this basic framework. Irrespective of any probable realignment in internal politics or change in the composition of the government, West Germany may be expected over the next several years to exert a generally stabilizing influence within the Western alliance, reflected primarily in the maintenance of proportionately heavy economic and military contributions toward the consolidation of Western power resources and secondarily in an increasingly firm and explicit political commitment to the principle of alliance solidarity over and above claims of special interest by any of its members.

II. THE DOMESTIC SCENE

A. The Political Outlook

During the past two years, West German internal politics have continued to be dominated, though rather less emphatically than in the preceding decade, by the personality and policies of Konrad Adenauer, who was elected on November 7, 1961 to his fourth consecutive term as Chancellor of the Federal Republic. In notable contrast to its predecessors, the current Adenauer administration has a somewhat uncertain and temporary air. The coalition on which it is based was formed only after seven weeks of confusion and intrigue, setting the stage for an uneasy relationship marked by mutual suspicion and occasionally flaring into open conflict. The fragility of the CDU/FDP partnership has become increasingly evident as Adenauer's potential successors jockey for advantage. Although agreed for the moment on presenting an at least superficially united front, both parties show signs of nearing the breaking-point. Neither may be able to resist pressures building toward a showdown on any of several explosive issues that will face the reconvened Bundestag in October. Even if no crisis develops, both parties expect some difficulty in reconstituting a government if and when Adenauer redeems his promise to retire; there is no indication, however, that they have consulted together, much less reached agreement upon, the identity of his successor. Their further collaboration in the government after Adenauer's departure

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cannot be regarded as assured, although it is implied by the terms of their present partnership; such an outcome is merely the most likely of several possibilities, and this largely because it would mark the path of least resistance for all concerned.

Meanwhile, the FDP remains in a precarious position as junior partner in the coalition, having little or no leverage to support a claim to independent influence over the direction of either foreign or domestic policy. Moreover, its importance as a factor in national politics may be directly menaced by the outcome of elections scheduled during 1962 and early 1963 in states where this party scored phenomenal gains in the federal elections of September 1961. Already the first of these state elections, held on July 8 in Nordrhein-Westfalen -- where the FDP's major strength is concentrated and where about one-third of the West German electorate resides -- has resulted in a severe defeat for that party, virtually destroying its chances of becoming an effective "third force" between the two major parties. Should the fall elections in Schleswig-Holstein, Hessen, and Bavaria bring additional setbacks for the FDP, the CDU/CSU leadership might be tempted to try to cannibalize the FDP. This could be most readily accomplished by substituting district-plurality election of Bundestag deputies for the present mixed system, which permits the FDP to obtain seats through proportional representation. Even a threat in this direction by the CDU could force a government crisis by precipitating the resignation of the FDP ministers, should Adenauer or his associates decide that the FDP had become burdensome or obstreperous; a similar threat was instrumental, though presumably not by intention, in bringing about the withdrawal of the FDP from the government in March 1956.

As indicated above, the most probable sequel to Adenauer's retirement from office before the fall of 1965 is the reconstitution of the present coalition under another CDU/CSU Chancellor. Given the demonstrated eagerness of the FDP to remain loyal, after its long exile from the government, to the partnership with the CDU/CSU -- a posture on which the support of key industrial contributors to the FDP treasury is conditioned, and on which the party's organizational unity is ultimately dependent -- it is unlikely to offer a candidate from its own ranks, or indeed to insist upon any specific successor to Adenauer. Within the CDU/CSU leadership, prevailing sentiment still favors alliance with the FDP as the next best thing to governing alone. The solution of a so-called "grand coalition" between the two major parties -- hitherto unwelcome except to a small minority in the CDU/CSU councils -- has begun to achieve more serious consideration as the FDP has become restive in the coalition harness. However, this alternative remains far less likely, except in the event of a renewed crisis over Berlin or some similar issue affecting the basic alignment of the Federal Republic within the alliance, than the continuation of an unstable CDU/FDP coalition.

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Among several possible successors to Adenauer in his own party, Economics Minister Ludwig Erhard seems to have retained a comfortable lead in the preference both of party leaders and of the general public, despite repeated shocks to his ego and to his prestige as a politician sustained over the years as Adenauer's favorite whipping boy. Should Adenauer retain sufficient influence to dictate the terms of his retirement, he might attempt once again to prevent Erhard from succeeding him -- as on the occasion of the abortive Adenauer candidacy for president in mid-1959, and again after the party's setback in the 1961 Bundestag elections. The Chancellor is known to prefer Heinrich Krone, one of his few closely trusted associates and also one who enjoys probably unrivalled esteem among the party rank-and-file. However, Krone is considered to be far inferior to Erhard as a potential vote-getter -- a consideration that is bound to have increasing weight with the CDU/CSU leadership as the next Bundestag elections approach. From all indications, Krone would greatly prefer the party chairmanship, or some advisory post close to the Chancellor such as he currently occupies. No other prominent figure in the CDU/CSU seems to command a following sufficient to decide the issue of the succession, once Adenauer announces his decision to retire. The strong men in the party, such as Foreign Minister Gerhard Schroeder, Defense Minister Franz-Josef Strauss, and the new CDU Executive Secretary Josef Dufhues, will be primarily concerned to keep the party in power while strengthening their personal influence in preparation for the next round. Some of these men, including Strauss and Bundestag President Eugen Gerstenmaier, have maintained a fairly consistent and open preference for Erhard, at least as an interim Chancellor. Were Adenauer to insist on some other successor, he would probably be unable to prevent the CDU/CSU Bundestag group from joining with the FDP to vote him out of office and Erhard in, with the requisite simple majority of the Bundestag membership. A similar rebellion would probably occur in the event that Adenauer were to insist on continuing in office indefinitely despite his promise to retire. It is generally assumed, however, that he has no such intention, and the CDU/CSU leadership expects to enter the 1965 election campaign under a new Chancellor. No serious rift is likely to develop within the CDU/CSU over the outcome of the succession. This and other potential disputes will tend to be subordinated to the effort by the CDU/CSU managers to revive the party's appeal to the mass of uncommitted voters.

A more ambiguous situation might be precipitated by Adenauer's death or grave incapacitation before the expected date of his retirement. As his deputy, Erhard would automatically be empowered to act for him, but only to a limited extent; the Vice-Chancellor has no constitutional authority to exercise the prerogatives of Chancellor. The inevitably unsettling delay thus created might afford genuine opportunity for the SPD, whose leaders were fully prepared in the fall of 1961 to enter a coalition even under Adenauer, to reopen its bid for a share in the government. Having jettisoned the bulk of its traditional ideological ballast and committed itself unmistakably to the

policy of association with the Atlantic alliance and accommodation to fundamental US interests, the SPD can make a serious claim to speak for the wishes of the West German population, at least in the decisive area of foreign and defense policy. A willingness to compromise with, if not actually adopt, most essential aspects of CDU/CSU policy has emerged as the hallmark of the SPD's current leadership. These include, notably, Herbert Wehner, the party's gray eminence, who has in masterful style neutralized all opposition within the party organization to the new course; Fritz Erler, the SPD's military affairs specialist and perhaps its most effective advocate abroad, especially in the US; and Willy Brandt, Governing Mayor of Berlin and the party's chancellor-presumptive.

It is improbable, however, that either Brandt or any other SPD figure would be chosen to head a CDU/CSU-SPD coalition or a "national unity" government representing all three of the parties in the Bundestag, should such a solution develop in a crisis following Adenauer's sudden removal from the scene. The outcome would probably not differ from that following Adenauer's voluntary retirement. Gerstenmaier or Brentano would then be the most likely alternatives to Erhard, who remains the candidate most acceptable to each of the other two parties. Gerstenmaier reportedly enjoys the special confidence of President Heinrich Lübke, whose influence could be decisive in a parliamentary crisis, while Brentano has gained considerable stature with his colleagues as well as the general public by his recent energetic advocacy of German interests as leader of his party group in the Bundestag.

On balance, it is probable that internal political stability would not suffer notable damage through the withdrawal of Adenauer's firm leadership. Erhard's capacity to steer a steady course as head of a successor government may have been obscured by his unfortunate collisions with the domineering old Chancellor. His management of his own broad field of competence as administrator of the economy suggests qualities of consistency and vision that may well prove effective substitutes for Adenauer's autocratic style, and that might be especially valuable in assisting West German politics through the difficult transition from the Adenauer era to that of less spectacular leadership. As leader of either a two-party or all-party coalition, Erhard could count on the well-established popular consensus on foreign policy that has been indispensable to the stability of the Adenauer governments, nor is any difference among the parties on domestic issues sufficiently sharp to constitute the basis for a serious domestic cleavage, regardless of the political composition of an Erhard government. Even if a CDU/CSU-SPD coalition were to bring a shift in the political accent from right to left of center, it is improbable that this would instigate a rallying of conservative or ultra-nationalist forces, whether under FDP or other

sponsorship, since the Nazi and other extremist ideologies have now fallen almost entirely into discredit or obscurity. Similarly, a revival of organized Communist or neutralist movements can probably be written off as unlikely within the foreseeable future, assuming no cataclysmic alteration takes place in the world balance of power that would expose the West German population to irresistible Soviet pressure.

B. Economic Trends

West Germany's economy has expanded at an extraordinary rate over the past decade; the increase in the Gross National Product (GNP) has averaged in real terms more than 7.3 percent annually. For the 10-year period 1950-60, its 6.3 percent average rate of per capita growth of GNP was the highest in Western Europe. An important reason for the Federal Republic's high growth rate during this period, especially in the early 1950's, was the postwar reorganization and other recovery factors. The high growth rate also persisted in the second half of the decade; growth was chiefly attributable to export performance. Further, West German fixed asset formation has been one of the highest in Europe, averaging 20.4 percent during the years 1950-55, and 22.8 percent of GNP from 1955-60.

Expansion of the West German gross national product is likely to be more moderate in 1962 than in previous years, with an estimated growth of somewhat less than 4 percent in real terms. An appreciable re-acceleration of economic growth beyond the current levels is not foreseen. It is expected that the growth rate will be maintained at between 3 percent and 4 percent annually over the next several years, suggesting a maturing economy operating at a high level and full employment with appreciably less physical scope for expansion than heretofore.

Several important factors are likely to inhibit a further rapid increase of West Germany's GNP growth rate during the next several years: the acute labor shortages experienced by the Federal Republic over the past two years, which have almost completely dried up domestic labor reserves (at times the unemployed rate has been less than 0.5 percent), combined with a virtual sealing-off of the Soviet Zone refugee influx (which supplied an annual average of up to 150,000 new workers to the West German labor force throughout the last decade); the increasingly difficult problem of recruiting adequate foreign labor from other countries in Western Europe; and the disappearance of immediate postwar recovery elements in the West German economy, such as reconstruction.

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West German exports have slackened somewhat, but West Germany's share of international trade has remained steady, indicating that its competitive position has not been appreciably weakened by the 1961 revaluation and overall wage increases. The importance of the Federal Republic's international trade position is suggested by the fact that it currently carries on the second largest volume of foreign trade in the world, having surpassed the United Kingdom in 1961 with \$23.7 billion. (In 1936 German foreign trade amounted to 13 percent of its estimated GNP, compared to more than 31 percent of GNP in 1961.) In current value, West German foreign trade increased by about five times during the period 1950-62, or from \$4.7 billion to an estimated \$25 billion. Export surpluses have been recorded for every year since 1951. Approximately 90 percent of West German exports are manufactured goods. Export surpluses in trade with the less developed countries have been persistent, averaging more than \$900 million annually since 1958. The German trade surplus increased from \$1.2 billion in 1960 to \$1.6 billion last year. It is estimated that the trade surplus for 1962 will again surpass the \$1 billion level.

West Germany's remarkably strong balance of payments position over the past decade was in fundamental contrast to the great difficulties experienced in meeting its external obligations from 1918 to 1939. A sharp rise in the services deficit from \$410 million in 1960 to \$960 million in 1961 was the outstanding development in the German balance of payments last year. The structural decline now evident in the German external surplus has not resulted from a change in the merchandise trade position, which is still strong, but, rather, from an increase in service payments. The Federal Republic has made efforts to reduce its foreign trade surplus and to increase the flow of capital resources abroad. These efforts, which include increased foreign aid expenditures, devaluation of the Deutsche Mark, and other monetary and fiscal measures, have thus far met with at least partial success. The current outflow of foreign exchange from the Federal Republic implies an improvement in the balance payments of Bonn's trading partners and for the world economy an improvement in the pattern of international liquidity.

The Federal Republic of Germany is the largest and most powerful economic unit among the six nations composing the European Economic Community. The West German population of nearly 54,000,000 (1961) accounts for 36 percent of the presently constituted Common Market (152,700,000), and in 1961, West Germany's gross national product of \$77.6 billion (at current 1961 prices excluding West Berlin) amounted to 39 percent of total Common Market GNP (\$199.7 billion). During the same year, West Germany produced 46 percent (33.5 million tons) of total Common Market crude steel output (73.3 million tons). Its relatively large balanced raw material base and highly skilled labor force, meshed to a modernized industrial plant, assure the Federal Republic of a continuing dominant role within the Community. This dominance would be considerably modified if the UK and peripheral countries (Norway and Denmark) joined the Common Market.

III. FOREIGN AND MILITARY POLICY

A. Role in the Alliance1. Resistance to divisive pressures

The Federal Republic can be expected to maintain for the next several years an overriding interest in preserving the solidarity of the Atlantic alliance. It is highly improbable that West German leadership, under Adenauer's guidance or that of a successor, will push any independent initiative designed to augment in either the political or military field its influence over alliance policy to the point where this solidarity might be threatened. Much less is it likely that the West Germans will associate themselves with efforts to readjust the internal power balance of the Atlantic community in favor of other member countries, such as may be implicit in the hypernationalist accent of current French policy. Adenauer himself, while arguing perhaps more strongly than any of his associates for Franco-German cooperation as a pillar of the Western alliance structure, has never permitted this principle to take priority over the Federal Republic's membership in NATO, and particularly its association with the US, as the ultimate guarantor of NATO's efficacy as a deterrent to Soviet military-diplomatic pressure or outright aggression against Western Europe.

The West Germans realize that the viability of the West German state and the integrity of its territory are dependent directly as well as ultimately upon the US security guarantee, irrespective of the medium through which it is applied. Consequently, they are not prepared to have this commitment diluted or left ambiguous for the sake of any conceivable advantage to be derived from cooperating with France in a program to establish an independent European power center. Rather they will attempt, as in the past, to use their influence with the French to resolve differences within the alliance, or at least to ameliorate the divisive effect of these differences by shifting the focus of discussion from issues of principle to the technical plane, where they may become more readily subject to management through the process of compromise.

This position is not likely to be challenged by the government that emerges in West Germany during the immediate post-Adenauer era, although Adenauer's successor might be tempted to make capital for himself and his party by becoming more assertive about the Federal Republic's claim to equality with its major partners in the alliance. No leading West German political figure has expressed himself as dedicated above all to the idea of Europe as an independent "third force" between the US and USSR; and West German opinion appears to be frankly opposed to de Gaulle's concept of transferring responsibility for European defense to a French-dominated nuclear striking force. Should de Gaulle leave the scene, either during or after Adenauer's remaining period in office, sentiment in favor of a Bonn-Paris power axis would be likely to diminish even more.

As the character of post-Adenauer Germany emerges more clearly, it is likely that the West Germans will be even less inclined to define their interests in accord with the principles of classic power politics. The present generation of West German political leaders, whose careers in the postwar period have developed largely in Adenauer's shadow, will be succeeded within the next decade by men and women whose youth leaves them free to make decisions more specifically appropriate to their interests. On balance, this attitude should produce an even stronger commitment than at present to the westward orientation of the Federal Republic and above all to its intimate association with the US.

2. Strategic aims and weaponry

While some modification in West German attitudes on strategy and weaponry is probably inevitable, there is no reason to expect substantial deviation from hitherto accepted doctrine. In the simplest terms, the Germans consider that credible deterrence consists of reliance on amply equipped forces effectively organized and ready for immediate employment against aggression from the East. In respect of weaponry, this means modern high firepower arranged in maneuverable units. The geographic position of the FRG strengthens the German conviction that any Soviet attack would probably presage a full-scale effort to overrun the country; the disparity in manpower between the Federal Republic and the U.S.S.R supports the generally accepted German view that the former -- or NATO itself -- could not, using conventional means alone, withstand a conventional attack in force.

National prestige and aims are no longer potent determinants of West German strategic views. The only eventuality to be considered is Soviet attack, and the strategy is to be prepared to meet it with effective means on whatever scale or in whatever form it may come. The German strategic concept, the actualities of geography and manpower, and the rejection of national aims based on military power together with the increasingly integrative force of regional associations and alliances, make basic changes in German policy improbable, if not impossible under any circumstances likely to prevail in the next several years. As the Federal Republic not only meets its commitments to NATO but also achieves greater effectiveness and skill, it will take a more forceful part in military discussions; but it will do so chiefly in the effort to achieve a genuine partnership in NATO strategy. The Federal Republic takes a basically technical approach to such questions as threshold levels, tactical and strategic nuclear weapons, conventional and nuclear armament, access to nuclear weapons, independent national deterrents, NATO deterrents, and assignment of command functions. So long as NATO maintains a viable, effective, and credible military force, the Federal Republic will not vigorously advocate or oppose the form of arrangements necessary to lead to the desired result, even though it may object to proposals which it considers dubious on technical grounds or unjustifiably discriminatory in character.

The development of any substantial support in the Federal Republic for the build-up of Franco-German, WEU, EEC, or "European" military ties as substitutes for NATO is not now likely, although the possibility cannot be excluded that the West Germans may advocate modifications along these lines, also affecting nuclear weaponry, as supplements to NATO. Assuming the continuing availability of satisfactory nuclear support for the alliance, the Germans are unlikely to exert pressure for an independent nuclear capability of their own. Nor is it likely that the Federal Republic would voluntarily grant substantial assistance to the French nuclear weapons program.

3. Contributions to development programs

Under the impetus of the Anderson-Dillon visit to Bonn in November 1960 and Under Secretary Ball's trip to Bonn in March 1961, the West German Government expanded its foreign aid plans well beyond previous levels, which had involved chiefly grants for technical assistance, amounting to less than \$25 million per annum. However, the Federal Republic's aid program is still considered by US authorities to be inadequate, both qualitatively and quantitatively. (The average repayment period of German development loans, excluding loans for five years or less, remains under 15 years, and no loans for more than 20 years have been extended. The average rate of interest on these loans is just under five percent.) A program committing about \$750,000,000 or at least one percent of West German GNP--counting only official grants, loans over five years, and contributions to international organizations -- would be clearly within German capabilities, even taking into account the increasing level of defense expenditures.

The actual volume of West German commitments to foreign aid is difficult to project in view of the relatively small development loan commitment authority provided in 1962 (\$354 million). While the large volume of commitments made during 1961 (\$1,375 million, of which some \$250 million represented refinancing of earlier credits) could enable the Federal Republic to continue to increase its aid outlays during 1962, substantial increases in commitment authority and appropriations will be required in 1963 (compared to 1962) if the forward momentum of German aid activity is not to be lost. In contrast to the relatively buoyant atmosphere of 1961, which facilitated the launching of a worldwide aid program, the present economic climate (as interpreted by the Germans), the disappearance of the balance of payments surplus, and the emergence of what the West German Government has described as a tight budgetary situation, have made Bonn officials considerably less liberal in their outlook; hence a certain danger of retreat exists.

Without a continuation of considerable US pressure, the Federal Republic's foreign aid program may well be significantly reduced in size and its effectiveness seriously hampered. West German officials, including some supporters of development aid in principle, are increasingly inclined to question the value of current foreign aid plans, especially those taken in response to US initiatives, and are becoming suspicious of what they consider to be excessive

pressure for West German participation. For example, Economics Minister Erhard has privately expressed doubts about the usefulness to either recipients or donors of enormous foreign assistance programs, and Chancellor Adenauer appears generally unconcerned about the subject. In contrast to the Foreign Ministry, which has usually supported foreign aid appropriations, Finance Minister Heinz Starke seems to consider foreign aid a low priority item in view of current budgetary demands. The Minister for Economic Cooperation (aid administrator) largely reflects the attitudes of the FDP and of influential business interests in Germany, which in general accept reluctantly a "reasonable" German foreign assistance program, but disapprove of a concerted aid policy. Public opinion tends to be apathetic when not actually hostile to foreign aid.

B. Reunification and the Berlin Problem

1. Reunification versus integration

Although the question of reunification remains an unsettling and potentially explosive issue both on the West German domestic scene and against the background of the current U3-USSR confrontation over Berlin, it does not at present seem capable of exercising significant influence on the actual progress or prospects of West German integration in a united Europe. Over the past two years, and particularly since August 1961, when the East German authorities succeeded in sealing off East Berlin from the western sectors of the city, the West German population has become progressively more convinced that reunification is not likely to be accomplished within the foreseeable future. They have not lost hope for the eventual restoration of united Germany but appear to have become resigned to the indefinite maintenance of partition.

This attitude has not noticeably been eroded by the insistence of political leaders both within and outside the West German government upon emphasizing, almost as a matter of necessity, the primacy of reunification as a foreign policy goal. The persistent intrusion of the reunification issue into public debate concerning primarily other aspects of West German policy has probably intensified popular frustration over inability to achieve this objective, and has encouraged as well the recent revival of West German doubts about the willingness of their major allies to protect the German interest. But there is no evidence that this mistrustfulness is crystallizing into reservations concerning West Germany's future as a member of the European community, and the argument is no longer seriously maintained -- as it was for years by the SPD opposition to Adenauer -- that his policy of integration could not be fulfilled except at the sacrifice of vital national interests.

The possibility remains that the powerfully Western-oriented policy of the Adenauer era might yet be reversed, or at least checked in its course toward assimilation within the Western alliance system, if there were a genuine opportunity to achieve reunification in freedom. Such an opportunity might be presented, for example, by a Soviet offer to permit the formation of an all-German government, free of overt Soviet influence and sovereign over both

East and West Germany, in return for withdrawal from the European community. However, the popular sense of commitment to traditional national aspirations is steadily weakening in West Germany, as a sense of loyalty to the concept of a European political entity emerges, especially among the politically aware youth. It is too soon to envisage the growth of Europe as a substitute fatherland, but such a tendency is already evident; and it can readily be reinforced as the West Germans become more fully aware of the political as well as economic opportunities available to them through an integrated Europe.

Assuming that no Soviet offer of reunification of the type indicated above intervenes and that the US security guarantees are maintained, the westward orientation of the Federal Republic should hold firm against any probable degree of internal pressure for a solution of the reunification problem. Under Adenauer's successor, the West German Government will continue to be hypersensitive to any sign that its interests might be sacrificed in attempts to reach a tenable long-term accommodation with the USSR. But such a successor government will probably also maintain and even consolidate West German participation in the movement toward European unity -- particularly if that government should be headed by Erhard, who is a prime advocate of the concept of a community embracing all non-Communist Europe.

2. The impact of a Berlin settlement on the FRG

In general the achievement of a Berlin settlement is not a burning issue for the Federal Republic. Though the Berlin situation may continue unsettled for the next few years, it is not likely to have significant impact on the direction of West German policy. As in the case of reunification, there is general acceptance of the probability that there will be no early resolution of the Berlin problem. West Berlin represents above all for the West Germans a symbol of the US commitment to defend West Germany.

The minimal West German requirements in a Berlin settlement include (1) keeping the reunification issue open and making no commitment in derogation of the West German claim to sole legitimate representation of the interests of the German people, (2) the basic conditions essential to Allied presence in and responsibility for Berlin, and (3) the maintenance of Bonn-Berlin ties essential to the viability of the city. A settlement which failed to meet these requirements would have serious and adverse impact on a broad range of West German attitudes. Such an impact could perhaps be mitigated or even compensated if the settlement achieved more than the minimum in some regard.

There is, however, very little room for maneuver in the Berlin situation. This exacerbates the awkward position of the Federal Republic, which has no substantial leverage or bargaining position on which to support an initiative. Bonn's policy is based on reliance on the Allies for the security, if not the very existence, of the Federal Republic. Bonn-Berlin relations exist on Allied sufferance; and the position of the Allies in Berlin is based on the defeat of Germany. It is obvious that the Federal Republic, as

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successor to a defeated German state, still divided, can scarcely be expected to take a positive role in negotiations over Berlin in the prevailing context.

An anomaly in the Berlin situation is that the settlement most attractive to the West Germans appears to be one that continues the postwar occupation type of arrangements rather than one that advances towards peacetime normality by altering Western occupation rights and responsibilities. Another anomaly compounds the problem for Bonn, namely that any real solution, as distinguished from a modus vivendi, is bound up with reunification prospects. The actual strength of the appeal of reunification, or of the feeling of kinship among East and West Germans, cannot be precisely estimated, but its latent appeal is great. Here again, meaningful West German initiatives are practically excluded by prevailing foreign and domestic policy considerations.

In calculating the hypothetical impact of a Berlin settlement on the Federal Republic, it is normal to assume an essentially negative reaction. Nevertheless, it may be assumed that such a reaction would not significantly influence the projected course of West German developments so long as the adverse features of the settlement could be blamed on Soviet intransigence. If such features appeared to betoken Western accession to new Soviet demands, the reaction in Berlin and Bonn would be still more negative.

While any Western yielding to Soviet demands would be taken by Germans to mean either weakness or waning consideration for German interests — both of which would be equally distressing to the Germans — it would not be likely to change the conditions that basically determine West German policy. The Federal Republic would still depend on the West for security, though it might feel less secure, and it would still have little leverage or capacity to undertake independent initiatives. Rather than dramatic shifts in policy, it would be reasonable to expect a period of agonizing reappraisal for the Federal Republic, marked almost certainly by increased self-concern, though perhaps tempered by popular resignation and apathy. Self-assertiveness would probably rise, receptivity to Allied proposals and sympathy for individual problems of the Allies would diminish, and willingness to go along with Western projects not inherently appealing to the Germans — such as multilateral aid projects — would disappear.

Nevertheless, it is unlikely in the extreme that German nationalism will revive strongly in the immediate future. Nor should it be expected that West Germany will turn to the East, unless all other alternatives have been exhausted. Some peripheral deals with the Soviets might be considered or even concluded.

The negative impact on the Federal Republic of a Berlin settlement could be somewhat cushioned if there were a palpable improvement of conditions for the East German population, and if there were freer intercourse, both human and commercial, between East and West Germany. However, specific estimates of West German reaction to the impact of a Berlin settlement would require the assumption of specific articles and conditions, and would therefore go beyond the scope of this study.

3. Policy toward the Satellites

In general, Bonn's attitude towards relations with Eastern Europe will continue to be governed by the hope that possibilities for improvement may develop in the long run. The pursuit of an active Eastern policy by the Federal Republic is practically excluded so long as the issue of reunification remains unresolved. West German official recognition of the GDR as presently constituted will not occur.

Poland and Yugoslavia are the main objects of West German interest in Eastern Europe; however, Czechoslovakia would rank with these two, or even ahead of Yugoslavia, were the Czechs to indicate any receptiveness.

The FRG's policy toward the Soviet Bloc is restricted not only by the factors mentioned above, but also by the anomalous fact that any effort by the FRG to improve official relations would necessarily have to be limited to the non-German Soviet satellites, and would therefore tend to confirm the charge that Bonn is opposed to improving relations between Germans. It is precisely in the area of increasing contacts between individual West Germans and East Germans that the Federal Republic is under heaviest pressure to take positive action.

The Federal Republic may be expected to pursue, with respect to its commercial relations with the bloc states, a flexible, basically opportunistic policy ranging through the commercial, cultural, and technical fields, aimed at continuing or re-establishing traditional contacts and influence. Today, the bloc states have only a limited capability to provide commodities desired in West Germany.

As the West Germans have gained increased perspective and have lived longer with the postwar "realities" in Central and Eastern Europe, their attitudes have changed significantly. Some, possibly even many, Germans feel that they have a mission to link Eastern and Western Europe, but this mission is no longer that of a colonizer or administrator. The so-called "Eastern territories" are no longer a vital irredentist issue even to most expellees and refugees. West Germans on the whole have little expectation that the German border will be moved east of the Oder-Neisse line; but they likewise have little willingness to confirm the Oder-Neisse line except in the context of a larger German settlement. There is no positive pressure to abandon the Hallstein doctrine of non-recognition of the GDR, but the doctrine is not likely to be maintained stubbornly if there were any large-scale wave of recognitions of the GDR; or if the doctrine prevented significant improvement in relations with, for example, Poland. In sum, the Hallstein doctrine can probably still be considered useful, though not sacrosanct, for some years to come.